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SUBJECT: COLOMBIAN PALM: RURAL SAVIOR OR HUMAN RIGHTS
ALBATROSS?

REF: BOGOTA 2331

¶1. (SBU) SUMMARY: Driven by strong international demand for palm oil, improving security in rural areas, government support for viable alternatives to coca, and domestic demand for palm oil-derived biodiesel, Colombia's palm industry has expanded 70 percent since 2003. As a result, it now ranks as the largest in the Americas and the fifth largest in the world. President Uribe frequently points to palm as Colombia's future motor of rural development and employment as conflict recedes. However, the sector has come under repeated allegations of profiting from forced displacements of Afro-Colombian and indigenous populations, destroying biodiversity, failing to benefit small farmers, and creating an unsustainable industry unable to compete globally. A more detailed analysis reveals that many of the allegations appear exaggerated or unsubstantiated. Nevertheless, the Colombian palm sector, and the licit employment it creates, risk permanent denigration unless producers and the GOC are more successful at combatting this negative image. END SUMMARY.

Misconception #1: Conflict Palm Widespread

¶2. (SBU) Colombia's Pacific Coast region suffers from numerous long-standing land tenure conflicts fueled by displacements of local Afro-Colombian and indigenous populations by illegal paramilitary forces, as well as by individual legal disputes related to Colombia's collective titling law (Law 70). Approximately 32,000 hectares of land in Choco Department alone are in dispute under Law 70. Of that total, 4,000 hectares were the subject of two high-profile forced displacements in the Uraba region (Curvarado and Jiguamiando) which were then planted with palm. While none of the firms responsible for the subsequent palm cultivation are members of Colombia's National Federation of Palm Grower's (Fedepalma) or mainstream producers, various human rights NGOs to have attempted to link palm production generally to Colombia's armed conflict and land rights issues as a result of these incidents.

¶3. (SBU) Civil society representatives such as Zoraida Castillo of Lutheran World Relief and Aida Pesquera of Oxfam tell us that slow progress by the GOC in securing justice in the Uraba incidents has obscured the fact that such documented cases represent less than two percent of Colombia's palm cultivation. While the vast majority of the industry has not been subject to such conflict, Fedepalma President Jens Mesa Dishington told Econoff that he considers the prospect of industry-wide stigmatization resulting from

isolated abuses as the most significant risk to the brand of Colombian palm. In an effort to address the situation, Fedepalma has supported pending legislation in Colombia's Congress to require clear registration of all agricultural land as a means to impede profiting from displacements. The human rights group Association for Alternative Social Promotion (MINGA), which blames pro-agribusiness GOC policies for driving indigenous and peasant farmers off the land, recognizes that Colombian land problems extend well beyond palm, and recommends that instead of new laws the GOC should allocate more resources to the existing institutions responsible for land titling.

Misconception #2: Palm Destroying Biodiversity

¶4. (U) Critics of the palm industry frequently assert that growers are razing biodiverse lands, particularly on the Pacific Coast, in order to introduce new cultivation. While palm cultivation grew from 206,000 planted hectares in 2003 to an estimated 340,000 hectares in 2008, the growth has occurred predominately in the traditional agricultural areas of Meta, Cesar, Santander and Magdalena. Only ten percent (34,000 hectares) of Colombia's palm sector is located in the Pacific Coast, and its participation is declining, down from 13 percent in 2003. The GOC and Fedepalma are aware of the global association of palm production with deforestation, and have a stated policy of developing Colombia's palm oil and biodiesel industry utilizing only degraded lands or lands already in agricultural production. To that end, the GOC has identified 3.5 million hectares of such land, of which only

66,000 hectares are located in the Pacific Coast Departments.

¶5. (SBU) Likewise, producers have engaged NGOs directly and through the Kuala Lumpur-based Roundtable for Sustainable Palm Oil (RSPO), which has established eight principles and related criteria for sustainable palm oil development. One Colombian palm producer, Daabon, has already begun the certification process. Fedepalma Sustainable Development Director Andres Castro told us that Fedepalma, which represents approximately 80 percent of Colombian palm oil production, is also working with the GOC on a "national interpretation" of the RSPO criteria to inform Colombian growers how the criteria fits with existing GOC regulations. Finally, Fedepalma, with support from the World Wildlife Fund, held the first-ever Latin American Roundtable Meeting on Sustainable Palm Development in October. Reflective of these efforts, the Journal of Environmental Science and Technology identified Colombia as one of the top five countries for capacity to sustainably develop its palm industry.

Misconception #3: Small Farmers Left Out

¶6. (U) While critics often portray Colombia's palm sector as large-scale agroindustry, Fedepalma estimates over 5,300 of Colombia's 7,000 palm growers are small producers cultivating plots of 50 hectares or less, producing 20 percent of national palm oil output. According to Fedepalma statistics, Colombia's palm sector supports 40,000 direct jobs, including many on small farms, and 55,000 indirect jobs in 93 municipalities and 16 departments. As the pruning of palm trees and the harvesting of palm fruit are both labor intensive and do not have viable mechanization alternatives, the sector employs on average one worker per ten hectares of palm cultivation. In addition to the new jobs that palm production has created, palm oil mills and producers have formed 109 production alliances across the country to ensure existing small producers have access to credit and markets and mills have a steady supply of palm fruit.

¶7. (U) USAID, through its Alternative Development Program, supports an additional 2,400 small landowners through 24 palm projects totaling nearly 36,000 hectares. USAID has promoted a system of alliances between large and small

producers to share the technical knowledge, access to credit, risk-bearing capability of large producers with small producers that provide much of the sector's land and labor. USAID has also developed a protocol for strengthening due diligence processes in place to ensure protection of communal and individual land tenure rights.

Misconception #4: Colombian Palm Cannot Compete

¶18. (U) Despite Colombia's recent boom in palm oil production, many critics assert that the industry remains uncompetitive over the long term. Due largely to high labor costs, Colombia's average production cost (USD 450 per metric ton) is as much as double that of Asian producers. Nevertheless, Colombia ranks fourth worldwide in palm oil yield per hectare, possesses strong domestic demand for dietary consumption of palm oil, and enjoys lower transportation costs to the U.S. and European markets. Currently 46 percent of Colombian production is directed to exports, with the Netherlands, Germany, United Kingdom, and Mexico representing Colombia's largest markets.

¶19. (SBU) In addition, palm oil has become a principal feedstock for biodiesel in Colombia, for which the GOC has mandated five percent biodiesel blending into local diesel fuel. The GOC forecasts Colombia's overall diesel consumption will grow nine times faster than gasoline consumption over the next 15 years. This growing diesel demand combined with the biodiesel blending mandates, which are set to increase to ten percent in 2010 and 20 percent in 2020, create a guaranteed domestic demand for Colombian palm oil. Four biodiesel plants have come on-line in the last 18 months and two more will enter operation by mid-2009 to process biodiesel for the impending ten percent blend.

According to Maria Emma Nuez, President of Colombia's Palm Oil Marketing Association (Acepalma), crude palm oil production will reach 806,000 tons in 2008 and 872,000 tons in 2009 in response to domestic demand for palm oil-derived biodiesel. Over the longer term, the Ministry of Agriculture forecasts that Colombia will need to increase palm cultivation by 700,000 hectares to produce the estimated 3.3 million liters of biodiesel Colombia will require by 2020.

Why Controversy Persists

¶10. (SBU) Independent observers such as Jonathan Glennie, Country Director for Christian Aid Colombia, say much of the controversy surrounding palm has little to do with the industry itself and more do with booming sector becoming a cause celebre for local communities and activists frustrated with Colombia's broader land tenure issues, skeptical of the country's history of boom/bust cash crops, and distrustful of agroindustry. Zoraida Castillo and other civil society representatives also cite the lack of GOC progress in resolving the few, but egregious, cases of documented forced displacement and subsequent palm cultivation in Uraba. The pace, they say, fosters a perception among marginalized communities that government authorities and large-scale palm producers have colluded to advance their economic interests at the expense of human rights and environmental protection.

Comment: Clarifying the Record Before Its Too Late

¶11. (SBU) The GOC recognizes that for a post-conflict scenario to be sustainable, rural employment opportunities must be generated. Palm has the potential to be one of the principal motors of such employment. But whereas Colombian palm should enjoy an image boost -- particularly compared with Asian palm -- because of lack of rainforest destruction, it is instead on the defensive due to human rights allegations. Signs are that the palm industry and the GOC, after merely dismissing the allegations as baseless, are now beginning to grasp the potential long-term damage to the Colombian palm brand. Senior Agriculture Ministry Advisor

Andres Espinosa told EconCouns that Agriculture Minister Arias is seized with the issue and is coordinating a GOC working group with producers and civil society to clarify the public record. For its part, Fedepalma Sustainable Development Director Castro Mesa says his association will continue to push the GOC in private to resolve the outstanding land and human rights cases in Uraba while encouraging its members to pursue sustainability certifications and deepen alliances with small producers.

NICHOLS